

Daiwa Securities Co. Ltd.

2-6-4 Otemachi Chiyoda-ku

Tokyo 100-8101, Japan

(URL <http://www.daiwa.co.jp/>)

October 29, 2003

Non-consolidated financial summary

(For the first half ended September 30, 2003)

(1) Operating results (from April 1, 2003 to September 30, 2003)

Note : All figures in the financial statements are rounded down to the nearest millionth.

“ - ” indicates a loss or negative figure.

	Operating revenues		Net operating revenues		Operating income	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change
First half (2003/9)	84,810	(31.6)%	84,579	(31.8)%	17,793	(-)%
First half (2002/9)	64,423	(-1.2)%	64,166	(-1.0)%	767	(-)%
Fiscal 2002 (2003/3)	129,817		129,311		3,500	

	Ordinary income		Net income		Return on stockholders' equity	
	Millions of yen	Yr/yr change	Millions of yen	Yr/yr change	(Annual basis)	%
First half (2003/9)	17,795	(-)%	9,897	(-)%	10.3	
First half (2002/9)	815	(-)%	110	(-)%	0.1	
Fiscal 2002 (2003/3)	3,531		1,047		0.6	

Note: Change in accounting policies: None

(2) Financial conditions

	Total assets	Stockholders' equity	Stockholders' equity ratio	Capital adequacy ratio
	Millions of yen	Millions of yen	%	%
As of Sep. 30, 2003	364,405	194,645	53.4	410.9
As of Sep. 30, 2002	332,537	187,011	56.2	361.0
As of Mar. 31, 2003	301,822	187,947	62.3	379.5

Note. Number of shares outstanding (shares):

As of Sep. 30, 2003: 3,200

As of Sep. 30, 2002: 3,200

As of Mar. 31, 2003: 3,200

Representative: Yoshinari Hara, President

Contact: Yoshiaki Bai, General Manager, Finance Department

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Balance Sheets

(millions of yen)

	First half Sep. 30, 2003	First half Sep. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Assets				
Current assets:	307,260	273,444	33,815	243,428
Cash and time deposits	85,901	72,757	13,144	61,552
Cash segregated as deposits	85,094	70,090	15,004	70,143
Trading assets:	35,848	25,882	9,965	36,746
Trading securities and others	35,116	24,455	10,661	36,136
Derivative assets	731	1,427	-695	609
Trade date accrual	1,631	1,456	175	377
Receivables related to margin transactions:	72,353	71,664	689	37,928
Loans receivable from customers for margin transactions	69,504	68,882	621	34,363
Cash deposits as collateral for securities borrowed from securities finance companies	2,849	2,781	67	3,565
Receivable on collateralized securities transactions	5,722	5,213	509	3,599
Cash deposits as collateral for securities borrowed	5,722	5,213	509	3,599
Receivables	3,321	3,838	-517	3,914
Short-term guarantee money deposited	3,462	3,023	438	2,464
Short-term loans receivable	1,537	1,780	-243	11,512
Accrued income	6,209	7,418	-1,208	5,941
Deferred income tax assets-current	4,041	8,840	-4,799	7,272
Other current assets	2,178	1,508	669	2,002
Less: Allowance for doubtful accounts-current	-42	-29	-12	-27
Non-current assets:	57,144	59,092	-1,948	58,394
Tangible fixed assets	6,278	8,579	-2,300	7,226
Intangible fixed assets	19,625	17,286	2,338	18,464
Investments and others:	31,240	33,226	-1,986	32,703
Investment securities	686	686	-	686
Long-term loans receivable	4,874	4,874	-	4,874
Long-term guarantee deposits	21,129	23,730	-2,600	22,877
Deferred income tax assets-non-current	3,268	2,347	921	2,831
Other investments	2,426	2,269	157	2,534
Less: Allowance for doubtful accounts-non-current	-1,145	-680	-464	-1,101
Total assets	364,405	332,537	31,867	301,822

	First half Sep. 30, 2003	First half Sep. 30, 2002	Increase/ Decrease	Fiscal 2002 Mar. 31, 2003
Liabilities				
Current liabilities:	162,506	139,393	23,112	107,035
Trading liabilities:	305	520	-215	115
Trading securities and others	0	-	0	0
Derivative liabilities	304	520	-215	115
Payables related to margin transactions:	16,322	9,443	6,879	10,367
Loans from securities finance companies for margin transaction	4,471	2,497	1,973	2,914
Proceeds of securities sold for margin transactions	11,851	6,945	4,906	7,452
Deposits received	72,630	52,833	19,797	46,976
Cash deposits received from customers	20,404	16,570	3,833	10,500
Short-term borrowings	32,000	49,000	-17,000	27,000
Accrued expenses	6,534	4,799	1,734	5,468
Accrued income taxes	4,760	136	4,623	266
Accrued bonuses	7,700	4,900	2,800	4,700
Other current liabilities	1,848	1,190	658	1,640
Non-current liabilities:	6,427	5,411	1,015	6,013
Accrued retirement benefits	6,166	5,131	1,035	5,688
Other non-current liabilities	261	280	-19	324
Statutory reserves:	826	720	105	826
Reserve for securities transaction liabilities	826	720	105	826
Total liabilities	169,760	145,525	24,234	113,874
Stockholders' equity				
Common stock	100,000	100,000	-	100,000
Capital surplus	50,010	50,010	-	50,010
Additional paid-in capital	50,010	50,010	-	50,010
Earned surplus	44,635	37,001	7,633	37,937
Earned surplus reserve	2,430	2,430	-	2,430
Reserve for special depreciation	200	238	-38	238
Unappropriated retained earnings	42,004	34,332	7,671	35,269
(Net income for the current term)	(9,897)	(110)	(9,786)	(1,047)
Total stockholders' equity	194,645	187,011	7,633	187,947
Total liabilities and stockholders' equity	364,405	332,537	31,867	301,822

Income Statements

(millions of yen)

	First half Apr. 1, 2003 - Sep. 30, 2003	First half Apr. 1, 2002 - Sep. 30, 2002	Yr/yr change (%)	Fiscal 2002 Apr. 1, 2002 - Mar. 31, 2003
Operating revenues	84,810	64,423	31.6	129,817
Commissions	60,857	48,579	25.3	93,204
Net gain on trading	23,367	14,931	56.5	34,990
Interest and dividend income	585	912	-35.8	1,623
Interest expenses	230	256	-10.1	505
Net operating revenues	84,579	64,166	31.8	129,311
Selling, general and administrative expenses	66,786	63,399	5.3	125,810
Commission and other expenses	10,793	9,981	8.1	20,105
Employees' compensation and benefits	31,640	28,580	10.7	56,091
Real estate expenses	9,979	10,024	-0.4	20,274
Data processing and office supplies	9,706	9,990	-2.8	19,684
Depreciation expenses	3,110	3,363	-7.5	6,869
Taxes other than income taxes	298	288	3.3	458
Others	1,257	1,171	7.3	2,326
Operating income	17,793	767	-	3,500
Non-operating income	91	128	-28.8	278
Non-operating expenses	89	80	11.0	247
Ordinary income	17,795	815	-	3,531
Extraordinary gains	-	-	-	-
Extraordinary losses	286	189	51.4	755
Income before income taxes and others	17,508	625	-	2,776
Income taxes-current	4,817	120	-	250
Income taxes-deferred	2,794	395	607.3	1,479
Net income	9,897	110	-	1,047
Unappropriated retained earnings-carryforward	32,107	34,221	-6.2	34,221
Unappropriated retained earnings	42,004	34,332	22.3	35,269

Note: Royalty on trademark paid to Daiwa Securities Group Inc. (1,696 million yen for 2003/9, 1,288 million yen for 2002/9 and 2,596 million yen for 2003/3) is included in "Commission and other expenses".

Notes to financial statements

The financial statements of the Company for the first half ended September 30, 2003 are prepared in accordance with the 'Cabinet Office Ordinance Concerning Securities Companies' (Prime Minister's Office Ordinance and Ministry of Finance Ordinance No. 32, 1998), and the 'Uniform Accounting Standards of Securities Companies' (set by the board of directors of the Japan Securities Dealers' Association, November 14, 1974), based on the 'Regulations of Interim Financial Statements' (Ministry of Finance Ordinance No. 38, 1977) and its Article 38 and 57.

Basis of financial statements

1. Valuation of financial instruments

(1) Valuation of trading account

Securities and derivative transactions in trading account are recorded at fair value.

(2) Valuation of non-trading securities

Securities in non-trading account are valued at moving average cost method, if their fair value is not available.

2. Depreciation of depreciable assets

(1) Tangible fixed assets

Declining-balance method is applied, and straight-line method is applied to the building (excluding appendixes) acquired after April 1, 1998. Useful life for depreciation is based on Corporation Tax Law.

(2) Intangible fixed assets, and investments and others

Straight-line method is applied. Useful life for depreciation is based on Corporation Tax Law. Software for in-house use is depreciated under straight-line method based on internal estimated useful life (5 years).

3. Accounting policies for various provisions

(1) Allowance for doubtful accounts

The Company provides the allowance based on the historical deterioration rate as for normal loans, and the allowance specifically assessed as for doubtful and failed loans.

(2) Accrued bonuses

Estimated amount of employees' bonuses is accrued based on the Company's bylaws.

(3) Accrued retirement benefits

The Company provides accrued retirement benefits for employees in conformity with the bylaws to meet obligations as of September 30, 2003, as the rise in salaries in the future does not cause fluctuation in the benefit obligation and therefore the service costs are vested fiscal year by fiscal year.

4. Accounting for certain lease transactions

Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.

5. Other material items

(Consumption taxes)

Consumption taxes are separately recorded.

Notes to balance sheets

1. Accumulated depreciation of tangible fixed assets

	<u>As of Sep. 30, 2003</u>	<u>As of Sep. 30, 2002</u>	<u>As of Mar. 31, 2003</u>
	8,963	6,461	7,941

(millions of yen)

Notes to income statements

Details of extraordinary gains/losses

(millions of yen)

	First half <u>Apr. 1, 2003 – Sep. 30, 2003</u>	First half <u>Apr. 1, 2002 – Sep. 30, 2002</u>	Fiscal 2002 <u>Apr. 1, 2002 – Mar. 31, 2003</u>
Extraordinary losses			
Reorganization costs for retail branch	260	-	-
Provision for securities transaction liabilities	-	98	204
Valuation loss of fixed assets	25	90	125
Provision for doubtful accounts	-	-	425

Supplemental information for the first half ended September 30, 2003

(Apr. 1, 2003 – Sep. 30, 2003)

1. Breakdown of commission revenue

(1) Activity

(millions of yen)

	First half (2003/9)	First half (2002/9)	Yr/yr change	Fiscal 2002 (2003/3)
Brokerage commission	26,750	19,458	37.5%	34,414
(Stock and other)	(26,667)	(19,301)	(38.2%)	(34,177)
(Bond and other)	(0)	(0)	(36.4%)	(0)
Underwriting	-	-	-	-
Distribution	22,100	14,130	56.4%	31,980
(Bond and other)	(7,956)	(4,555)	(74.6%)	(12,412)
(Beneficiary certificates)	(10,510)	(6,941)	(51.4%)	(13,207)
Other commission	12,007	14,990	-19.9%	26,808
(Beneficiary certificates)	(4,712)	(7,309)	(-35.5%)	(12,425)
Total	60,857	48,579	25.3%	93,204

(2) Asset class

(millions of yen)

	First half (2003/9)	First half (2002/9)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	31,514	23,178	36.0%	43,014
Bond and other	11,438	7,559	51.3%	18,789
Beneficiary certificates	15,304	14,406	6.2%	25,869
Others	2,600	3,435	-24.3%	5,531
Total	60,857	48,579	25.3%	93,204

2. Breakdown of trading gains/losses

(millions of yen)

	First half (2003/9)	First half (2002/9)	Yr/yr change	Fiscal 2002 (2003/3)
Stock and other	464	164	181.7%	274
Bond, Forex and other	22,902	14,766	55.1%	34,715
Bond and other	(11,722)	(7,271)	(61.2%)	(17,446)
Forex and other	(11,180)	(7,495)	(49.2%)	(17,269)
Total	23,367	14,931	56.5%	34,990

3. Trading volume of stocks (excluding futures transaction)

(millions of share, millions of yen)

	First half (2003/9)		First half (2002/9)		Yr/yr change		Fiscal 2002 (2003/3)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	7,573	3,875,560	4,881	4,780,611	55.1%	-18.9%	10,128	8,696,724
Dealing (a)	(209)	(155,262)	(521)	(1,126,074)	(-59.9%)	(-86.2%)	(1,115)	(2,044,243)
Brokerage (b)	(7,364)	(3,720,297)	(4,360)	(3,654,536)	(68.9%)	(1.8%)	(9,012)	(6,652,480)
b/(a + b)	97.2%	96.0%	89.3%	76.4%	/		89.0%	76.5%
TSE share	1.9%	1.3%	1.8%	1.5%			1.9%	1.5%
Brokerage commission/shares	3.54yen		4.23yen				3.63yen	

4. Underwriting activities

(millions of share, millions of yen)

	First half (2003/9)	First half (2002/9)	Yr/yr change	Fiscal 2002 (2003/3)
<u>Underwriting:</u>				
Stock (number of shares)	-	-	-	-
(yen amount)	-	-	-	-
Bond (face value)	-	-	-	-
CP & others (face value)	-	-	-	-
<u>Distribution (*)</u>				
Stock (number of shares)	302	71	325.1%	128
(yen amount)	169,323	129,972	30.3%	246,216
Bond (face value)	682,461	438,539	55.6%	1,268,892
Beneficiary certificates (face value)	2,971,147	3,388,926	-12.3%	5,967,171
CP & others (face value)	-	-	-	-

(*)Including secondary offering and private placement

5. Capital adequacy ratio

(millions of yen)

		First half Sep. 30, 2003	First half Sep. 30, 2002	Fiscal 2002 Mar. 31, 2003
Basic item	Stockholders' equity (A)	194,645	187,011	184,747
Supplementary item	Statutory reserve	826	720	826
	Allowance for doubtful accounts	42	23	22
	Total (B)	868	744	848
	Assets excluded from capital (C)	58,611	60,956	59,903
	Net capital (A)+(B)-(C) (D)	136,902	126,799	125,693
Risk equivalent	Market risk equivalent	343	340	353
	Counterparty risk equivalent	3,230	3,199	2,476
	Basic risk equivalent	29,736	31,577	30,283
	Total (E)	33,310	35,117	33,113
	Capital adequacy ratio (D)/(E)	410.9%	361.0%	379.5%

(Reference Data)

Quarterly income statements

(millions of yen)

	Fiscal 2002			Fiscal 2003	
	Second quarter Jul. 1, 2002 - Sep. 30, 2002	Third quarter Oct. 1, 2002 - Dec. 31, 2002	Fourth quarter Jan. 1, 2003 - Mar. 31, 2003	First quarter Apr. 1, 2003 - Jun. 30, 2003	Second quarter Jul. 1, 2003 - Sep. 30, 2003
Operating revenues	30,653	30,930	34,463	43,066	41,743
Commissions	22,717	23,027	21,597	26,975	33,881
Brokerage commission	7,684	9,512	5,443	9,360	17,390
(Stock and other)	7,601	9,460	5,415	9,330	17,337
(Bond and other)	0	0	0	0	0
Underwriting commission	-	-	-	-	-
(Stock and other)	-	-	-	-	-
(Bond and other)	-	-	-	-	-
Distribution commission	7,224	7,364	10,486	11,777	10,322
(Bond and other)	2,751	2,507	5,349	6,072	1,884
(Beneficiary certificate)	3,184	2,747	3,518	5,179	5,331
Other commission	7,808	6,149	5,667	5,838	6,168
(Beneficiary certificate)	3,528	2,702	2,413	2,216	2,495
Net gain on trading	7,430	7,539	12,518	15,793	7,573
(Stock and other)	9	18	91	206	258
(Bond and other)	3,336	3,939	6,235	7,903	3,819
(Forex and other)	4,084	3,581	6,192	7,683	3,496
Interest and dividend income	505	363	347	297	287
Interest expenses	131	114	134	123	107
Net operating revenue	30,522	30,815	34,329	42,943	41,636
Selling, general and administrative expenses:	31,515	31,271	31,139	32,884	33,902
Commission and other expenses	5,118	4,747	5,376	4,968	5,825
Employees' compensation and benefits	13,845	13,877	13,634	15,868	15,771
Real estate expenses	5,171	5,135	5,114	4,847	5,132
Data processing and office supplies	5,074	5,082	4,611	4,824	4,882
Depreciation expenses	1,696	1,743	1,763	1,542	1,567
Taxes other than income taxes	86	101	68	204	94
Others	523	583	571	628	628
Operating income	-992	-456	3,189	10,059	7,733
Non-operating income	59	51	98	95	-4
Non-operating expenses	66	26	140	56	32
Ordinary income	-999	-431	3,147	10,098	7,697
Extraordinary gains	-	-	-	-	-
Extraordinary losses	137	404	161	-	286
Income before income taxes and others	-1,137	-835	2,985	10,098	7,410
Income taxes-current	60	60	70	70	4,747
Income taxes-deferred	-414	-301	1,385	4,190	-1,396
Net income	-783	-594	1,530	5,838	4,058